

SUBCOMMITTEE 4

FINAL ACTION REPORT

Senate Budget and Fiscal Review

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SUBCOMMITTEE No. 4

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TRANSPORTATION

2600 CALIFORNIA TRANSPORTATION COMMISSION

- Approved the requested \$171,000 and 1.0 position increase, and augmented the Commission's budget by an additional \$224,000 and 2.0 positions, all to perform oversight work related to the San Francisco-Oakland Bay Bridge project. All costs will be funded through reimbursements from the Bay Area Toll Authority.

2640 SPECIAL TRANSPORTATION PROGRAMS

- Rejected the Governor's proposal to divert spillover revenue from this item to general obligation bond debt service, and revised the statutory allocation formula such that this item will get approximately \$248 million in spillover revenue.
- Revised and augmented the Proposition 42 loan repayment proposal such that this item will receive approximately \$110 million owed from Proposition 42 suspensions in 2003-04 and 2004-05.
- Approved the Finance Letter request to increase the appropriation amount by \$36 million, from the January Governor's Budget estimate of \$235 million, to reflect higher revenue from diesel and gasoline sales tax.

2660 DEPARTMENT OF TRANSPORTATION

- Approved full Proposition 42 funding of \$1.42 billion GF in 2006-07, including a May Revision forecast revision, which increased revenue by \$13.6 million. The funding will be allocated, pursuant to the Constitution, as follows:
 - \$678 million for Traffic Congestion Relief Program (TCRP) projects.
 - \$593 million for the State Transportation Improvement Program.
 - \$74 million for Special Transportation Programs.
 - \$74 million for other mass transit programs.
- Increased the proposed early repayment of Proposition 42 loans from \$920 million to a total of \$1.42 billion (GF). The allocation of this repayment will be as follows:
 - \$315 million for Traffic Congestion Relief Program (TCRP) projects.
 - \$424 million plus interest for local streets and roads.
 - \$424 million plus interest for the State Transportation Improvement Program.
 - \$106 million plus interest for Special Transportation Programs.
 - \$106 million plus interest for other mass transit programs.
- Rejected the Governor's proposal to shift \$344 million in 2006-07 "spillover" revenue from the Public Transportation Account and the Special Transportation Program to transportation-related

general obligation bond debt service. The Administration's proposal would have continued this shift in perpetuity, shifting about \$4 billion through 2015-16. Revised the statutory allocation of spillover revenue totaling about \$668 million to provide for the following:

- \$200 million for the Transportation Deferred Investment Fund, as part of the \$1.4 billion Proposition 42 loan repayment.
 - \$125 million for the San Francisco-Oakland Bay Bridge Project – consistent with current law.
 - \$33 million for 2006 Budget Act appropriations, specifically \$13 million for the High Speed Rail Authority and \$20 million for farmworker transportation.
 - \$248 million, or 80 percent of the remaining balance, to Special Transportation Programs.
 - \$62 million, or 20 percent of the remaining balance, to the State Transportation Improvement Program to fully meet revenue projections for the 2006 Fund Estimate.
- Approved a Finance Letter that transfers \$151 million in tribal gaming revenues from the Special Deposit Account to the Traffic Congestion Relief Fund for loan repayment. Approved budget changes to reflect the sale of \$1.0 billion in tribal gaming bonds in 2006-07 instead of 2005-06. The sale of the bonds has been delayed by litigation.
 - Revised the Capital Outlay Support (COS) Finance Letter to shift \$22.5 million, and related staffing, to the Maintenance Program. The applicable workload has historically been budgeted in the Maintenance Program, not the COS Program. Cut the reduction requested by the Administration in half, such that the workload staffing/contract reduction is \$19.6 million instead of \$39.2 million. Adopted Budget Bill language that ties expenditure of \$19.6 million to approval by voters of the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 – since workload will increase if the bonds are approved. Adopted supplemental report language to require a long-range staffing plan if the transportation bonds are approved by voters in the November 2006 election. The Governor vetoed the \$19.6 million restored by the Legislature for bond workload.
 - Approved an augmentation of \$105 million for increased highway preservation maintenance, but shifted the funding from the State Highway Operations and Protection Program to the Maintenance Program, which is where the funding has historically been budgeted.
 - Approved two information technology projects that would improve financial reporting and project management: the Integrated Financial Management System and the Construction Management System. The total multi-year costs to complete these projects will be \$42 million.
 - Approved funding of \$44.3 million for the construction phase of the seismic retrofit of the Oakland district office building.
 - Approved funding of \$3.8 million and staffing increases totaling 40 positions to implement new programs created by the recently-enacted federal Safe, Accountable, Flexible, and Efficient Transportation Equity Act – Legacy for Users (SAFETEA-LU).

- Revised a \$40.3 million request for short-term congestion relief projects, to shift \$20 million to the State Highway Operations and Protection Program. Approved funding of \$6.2 million to expand the Freeway Service Patrol Program.
- Restored Environmental Enhancement and Mitigation (EEM) funding to its historic level of \$10 million.

Budget Bill Language

1. Added language to specify that no less than \$76 million in Maintenance Program funding be used for preventative pavement maintenance.
2. Added language to direct \$10 million of tribal revenue to loan repayment for the Public Transportation Account, if the tribal bonds are not sold in 2006-07. Additional tribal revenue of about \$90 million would still be available for the State Highway Account pursuant to existing statutory authority.

Trailer Bill Language

1. Approved language specifying the allocation of Proposition 42 loan repayments and 2006-07 spillover revenue.
2. Approved language to modify transportation loan repayment provisions for loans repaid with tribal gaming revenue. The language removes certain due dates and updates interest provisions due to litigation which has delayed the sale of tribal gaming bonds.
3. Approved language to change the budgetary accounting treatment of the department's Equipment Program to convert from an internal service fund to a distributed program. Approved language to change the budgetary accounting treatment for the Transportation Investment Fund and the Transportation Deferred Investment Fund.

2665 HIGH SPEED RAIL AUTHORITY

- Augmented funding by \$13 million, Public Transportation Account, to fund the Authority for environmental, right-of-way, and financial planning workload, as specified in Budget Bill language. A policy bill, Assembly Bill 713 (Chapter 44, Statutes of 2006), moved the \$10 billion Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century from the November 2006 to the November 2008 election.

2720 CALIFORNIA HIGHWAY PATROL

- Approved funding for a new public safety radio system that will have a five-year total cost of \$494 million (Motor Vehicle Account). The system would enhance the department's internal communications and improve interoperability with local and other state public safety radio users. Reduced the 2006-07 augmentation by \$760,000 due to an estimating error – to a revised total of \$56.3 million.
- Approved a permanent increase of \$41.9 million to augment staffing by 310 positions (240 officers and 70 supervisory and nonuniformed support staff). The increase would be phased in over two years, with 2006-07 funding at \$30.5 million and staffing at 235 positions (165 officers and 70 supervisory and nonuniformed support staff). The CHP indicates that this increase would help address the continual increase in workload associated with population growth throughout the state. The 2006-07 funding reflects a legislative decrease of \$3.2 million to properly budget lower pay for cadets while they attend the academy.
- Approved a permanent increase of \$10.5 million to augment staffing 173 positions (156 dispatchers and 17 supervisory positions). The increase would be phased in over two years, with 2006-07 funding at \$6.3 million and staffing at 93.5 positions (85 Dispatchers and 8.5 supervisory positions). The CHP indicates this increase would help address the continual increase in workload associated with wireless 9-1-1 calls.
- Approved an augmentation of \$5.7 million for six major capital outlay facilities projects – most of the funding is for working drawings and land acquisition. The majority of these projects involve the replacement of existing CHP area offices. Construction costs would be requested in future budgets. When future estimated construction costs are included, the total cost for these projects is \$39.3 million.

Budget Bill Language

1. Added language to require annual reporting on the progress of the Enhanced Radio System.

Trailer Bill Language

1. Approved language requiring state departments to submit to the Legislature a technical project plan for any future budget requests related to new public safety radio projects. Required review of new public safety radio proposals by the Public Safety Radio Strategic Planning Committee and the Department of General Services to ensure consistency with the Statewide Integrated Public Safety Communications Strategic Plan and technical soundness.

2740 DEPARTMENT OF MOTOR VEHICLES

- Approved request for \$18.8 million, special fund, and a net staffing decrease of 32.5 positions for information technology projects related to the federal Real ID Act (Act). Federal regulations implementing the Act are expected in the fall of 2006, and states are required to implement the provisions of the Act by May 2008.
- Approved request for 2006-07 funding of \$2.1 million for year one of the seven-year Information Technology Modernization project, which has a total cost of approximately \$242 million. Out-year funding is not covered with this approval, so the department will have to submit a Budget Change Proposal to receive funding in 2007-08 and beyond.
- Approved request for \$9.3 million to implement SB 1500 (Chapter 920, Statutes of 2004). This legislation requires each insurer that issues private passenger automobile liability policies, to electronically report to the DMV all issued policies, changes, and terminations; and requires DMV to suspend vehicle registrations if insurance is not in force. Ongoing costs in 2007-08 and thereafter are identified at \$13.5 million.

Budget Bill Language

1. Added language to specify that the DMV shall not implement the federal Real ID Act before enacting legislation is approved by the California Legislature. Limits expenditure of \$9.3 million to after January 1, 2007, provided a report has been received by the Legislature with a 30-day review period. Requires a separate report on upcoming federal regulations to implement Real ID.
2. Added language requiring annual reporting for the Information Technology Modernization Project, and requiring that the Independent Verification and Validation contractor is in place before release of a Request for Proposals.

STATE ADMINISTRATION

0520 SECRETARY FOR BUSINESS, TRANSPORTATION, AND HOUSING

- Rejected the Administration's proposal to increase funding for the Tourism Commission by \$2.7 million GF, which would have increased state funding above the \$7.3 million cited in statute as legislative intent.
- Approved a Finance Letter to provide one-time funding of \$5 million GF for the California Partnership for the San Joaquin Valley. Added Budget Bill language to require a report to the Legislature and specify that no funds can be expended until the Strategic Action Proposal is adopted.

0650 OFFICE OF PLANNING AND RESEARCH

- Approved \$5 million GF to reinstate an appropriation to the California Service Corps for the purpose of funding grants to local and state-operated Americorps and California Conservation Corps programs. Legislation enacted in 2003 suspended this appropriation for three years.
- Amended a Finance Letter proposal for \$1.1 million GF to develop and maintain an Internet-based volunteer matching portal by making the funding two-year limited-term and adding budget bill language to require reporting on participation rates and other performance measures.

Budget Bill Language

No later than April 1, 2007, the Office of Planning and Research shall report to the committees in each house of the Legislature that consider the budget on performance indicators for the Online Volunteer Matching Program. This report shall provide a status of the program using information available to identify the number and name of volunteer programs that received volunteers referred by this system, Internet Web site hit count by month, posted volunteer activities by month, number of first-time volunteers, number of volunteer hours directly attributable to the statewide system, and other measures to fully disclose the impact of the Online Volunteer Matching Program.

0840 STATE CONTROLLER'S OFFICE

- Appropriated \$776,000 (special funds) for a third and final year of funding to overhaul the state's Apportionment Payment System. The existing system has become dangerously

overburdened and prone to breakdown, endangering a timely distribution of apportionments to local agencies.

- Approved \$710,000 (\$308,000 GF) to replace the State Controller's existing bank reconciliation system. This system, used to track and issue bank warrants, is approaching obsolescence and the availability of skilled technicians to repair the system is diminishing.
- Adopted a Finance Letter proposal to augment the Human Resource Management System project (HRMS) by \$35.1 million and 77.6 two-year limited-term positions to implement the design, development, and initial implementation phases of the HRMS. This workload is part of a multi-year project to replace existing employment history, payroll, leave accounting, and position control systems. New information generated by this system will greatly enhance the Administration and Legislature's fiscal oversight abilities.
- Adopted trailer bill language to require statewide implementation (with exceptions) of the California Automated Travel Expense Reimbursement System (CalATERS) by January 1, 2009.

Trailer Bill Language

Section 19822.3 is added to the Government Code, to read:

19822.3. All state agencies shall implement and use the California Automated Travel Expense Reimbursement System (CalATERS) to automate processing of employee travel claims by July 1, 2009, unless the Controller recommends, and the Department of Finance approves, an exemption request. To request an exemption, a department or agency shall submit documentation to the Controller no later than July 1, 2007, to substantiate that the implementation of CalATERS is not feasible or cost-effective for that department or agency. The Department of Finance and the Controller shall jointly report to the Joint Legislative Budget Committee, not later than February 1, 2008, on the exemptions that have been approved and the basis for the exemptions.

- Reduced the budget proposal for increased Unclaimed Property Program staffing by \$197,000 and 2.5 positions, restricting the staffing increases to safe deposit box and unclaimed property notice processing.
- Amended the Finance Letter proposal for 15 two-year limited-term positions and \$1.4 million GF for field examinations of various corporate holders of unclaimed property, by making the positions permanent. The following Supplemental Reporting Language was also adopted:

Supplemental Report Language

1. Unclaimed Property Audits. On or before October 1 of each year,

the State Controller's Office shall submit a report to the Joint Legislative Budget Committee that contains information about unclaimed property audits conducted in the prior fiscal year. The report shall include the following information:

- a. Number of unclaimed property audits conducted broken out by industry type,
 - b. Summary of unclaimed property audit findings broken out by industry type,
 - c. Amount of unclaimed property audit collections,
 - d. Number of individuals reunited with their property, and
 - e. (e) Amount the department disbursed to property owners.
- Approved \$252,000 and one position to meet workload associated with the preparation of various annual retirement reports required by the Governmental Accounting Standards Board.
 - Adopted budget bill language related to the methodologies used to calculate the state's post-employment benefits.

Budget Bill Language

The Controller's estimate of the state's liability for post employment benefits prepared to comply with Governmental Accounting Standards Board (GASB) Statement 45 shall include, in addition to all other items required under the accounting statement: (a) an identification and explanation of any significant differences in actuarial assumptions or methodology from any relevant similar types of assumptions or methodology used by the California Public Employees' Retirement System to estimate state pension obligations; and (b) alternative calculations of the state's liability for postemployment benefits using different long-term rates of investment return consistent with a hypothetical assumption that the state will begin to deposit 100 percent or a lesser percent, respectively, of its annual required contribution under GASB Statement 45 to a retiree health and dental benefits trust fund beginning in the 2007-08 fiscal year. This provision shall not obligate the state to change the practice of funding health and dental benefits for annuitants currently required under state law.

- Approved \$3.4 million (\$2.1 million GF) and five two-year limited-term positions to replace the existing unclaimed property system. Subsequent expenditures for the replacement project are expected to be \$1.57 million in 2006-07 and \$536,000 in 2007-08, while cost savings are expected to be approximately \$440,000 in 2007-08 and \$1 million ongoing thereafter.

0845 DEPARTMENT OF INSURANCE

- Amended the budget proposal for implementing the Patient and Provider Protection Act (2005), by reducing the position augmentation from ten positions to eight positions and adopting Supplemental Report Language requiring the DOI to report annually for three years on its workload and staffing requirements related to implementing the Act.

Supplemental Report Language

1. Patient and Provider Protection Act Unit. The California Department of Insurance (CDI) shall submit calendar-year annual reports on or before July 1, 2007, July 1, 2008, and July 1, 2009, to the Senate Health Committee, the Assembly Health Committee, and the Joint Legislative Budget Committee concerning the number, types, and status of health care provider, consumer, and other complaints processed each year under the provisions of Chapter 441, Statutes of 2005 (SB 634, Speier), and Chapter 723, Statutes of 2005 (SB 367, Speier). To the extent possible, CDI should provide this report in a format similar to that used by the Department of Managed Health Care in similar reports.
- Appropriated \$837,728 (Insurance Fund) for increased costs associated with a higher administrative hearing workload encountered by the Department's legal office.
 - Approved \$1 million (Insurance Fund) for a study to measure the extent of workers' compensation insurance fraud and to identify emerging fraud trends. The information gleaned from this research would be used to focus investigative and prosecution efforts, as well as identify areas where resources should be directed.
 - Amended a \$1.3 million (Insurance Fund) ongoing annual appropriation for workers' compensation fraud activity to be one-time only, based on the new strategies and funding priorities expected to be recommended in the aforementioned workers' compensation insurance fraud study.

0850 STATE LOTTERY COMMISSION

- Approved as budgeted--\$113.4 million for operating costs.

0860 BOARD OF EQUALIZATION

- Augmented the Governor's Budget proposal for \$1.6 million and 15 positions for a one-city pilot project to identify and register businesses that operate without paying applicable sales and use taxes, by adding \$1.9 million and 18.5 positions. This additional funding will enable a two city rollout of this retail licensing enforcement activity and generate additional revenues of \$12.6 million. The following supplemental report language was also adopted:

Supplemental Report Language

No later than April 1, 2007, BOE shall report to the budget committees of both houses on the performance of this program. This reporting shall include the number of businesses contacted through this program; the overall noncompliance rate at both study locations; the amount of tax associated with the unpermitted businesses identified; an analysis of noncompliance by industry type, including the size of businesses found out of compliance; the number of disputed assessments; number of personnel transferred from other BOE programs to this unit; hiring timelines for all new staff; and a description of the methods used to conduct retail licensing enforcement and their effectiveness.

- Approved \$811,000 GF, \$632,000 in special funds, and 16 positions for the Board of Equalization (BOE) to identify property that is brought into the state without the payment of sales and use taxes. Revenues of \$7.4 million are projected, a six-to-one benefit-cost ratio.
- Approved \$1.8 million and 20 positions to establish a program to recoup state tax revenues on cigarette and tobacco sales on the Internet and through mail orders. Revenues of \$33.8 million are projected in the budget year, an 18-to-1 benefit-cost ratio.
- Approved a one-year extension, as proposed by the administration, of the requirement that use tax be paid if a vehicle, vessel, or aircraft is brought into the state within 12 months of purchase. Approximately \$28 million in GF revenues are attributed to this extension. If this statute were not extended or made permanent, out-of-state purchases of vehicles, vessels, or aircraft brought into the state only after 90 days would be exempt from use tax.
- Added \$260,000 GF and four positions for two-years limited-term to expand the department's U.S. Customs data mining activity. Additional revenues of \$4.8 million GF are anticipated from this augmentation.
- Adopted trailer bill language simplifying the methodology developed by the Board of Equalization and recommended by the Legislative Analyst to allocate Sales and Use Tax (SUT) administrative costs among the state, the local Bradley-Burns tax, and special taxing jurisdictions. The simplified methodology results in annual General Fund savings of \$5.7 million. Charges to Special Taxing Jurisdictions will decrease and charges against the Bradley-Burns uniform local SUT will increase slightly.
- Adopted Supplemental Report language directing the Legislative Analyst's Office to report on BOE tax expenditures as follows:

Supplemental Report Language

The Legislative Analyst's Office (LAO) shall report to the chairs of the Senate Committee on Revenue and Taxation, the Assembly Committee on Revenue and Taxation, and the JLBC no later than March 15, 2007,

and October 1, 2007, regarding tax expenditure programs (TEPs). The report shall provide information on selected individual TEPs such as credits, deductions, and other special tax provisions, and be based, in part, on data provided by BOE, Employment Development Department, FTB, and other applicable state agencies, as requested by the LAO. The report shall also provide information, when available, on all newly enacted credits, deductions, exclusions, and exemptions. The number and nature of the individual TEPs reviewed in each report shall be determined by the LAO, taking account of workload considerations and in consultation with the Revenue and Taxation Committee of each house of the Legislature. To the extent possible, the reports shall, for each TEP involved: (a) describe the TEP; (b) discuss the program's rationale or objective; (c) identify the statutory, constitutional, or other authority for the program; (d) identify the program's cost in terms of forgone revenues; (e) describe the program's distributional impact on taxpayers by income, gross receipts, or other suitable measure; (f) assess the program's effectiveness and cost-efficiency in meeting its original intent; (g) evaluate the program's impact on taxpayer behavior; and (h) provide recommendations for repealing, modifying, establishing a sunset, or continuing indefinitely, each tax expenditure. If no clear statutory objective exists, the report shall include suggested legislative changes to establish an objective for the tax expenditure program.

- Adopted Supplemental Report Language directing the BOE to report on audit selection improvements as follows:

Supplemental Report Language

Audit Selection Improvements. The BOE shall provide to the chairs of the Joint Legislative Budget Committee (JLBC) and the fiscal committees of both houses of the Legislature a report on the outcomes of each of the following audit selection enhancements:

1. Utilizing new software called Clementine, which will enhance the department's audit selection capabilities by improving data sorting capabilities.
2. Putting U.S. Customs data into the audit selection database for local district use.
3. Extending the time allowed for audit selection, in order to facilitate more careful selections.
4. Sharing information with local districts on the deductions claimed by taxpayers on their returns.
5. Making greater use of data from the Franchise Tax Board's (FTB's) Integrated Nonfiler Compliance (INC) database to identify taxpayers who may be underreporting sales and use tax liabilities.

6. Utilizing North American Industry Classification System data to identify tax underreporters.

The report shall, in addition to describing the above methods and the outcomes associated with them, also discuss the additional revenues generated and costs incurred through using these methods, and identify other audit selection improvements where additional resources would aid in closing the tax gap further.

The report shall be provided annually as part of the department's existing supplemental report requirement regarding audit and collections activities.

0890 SECRETARY OF STATE

- Amended the Administration's proposal to spend \$6.3 million in federal funds for specified activities related to carrying out provisions of the federal Help America Vote Act (HAVA). Additionally, the Legislature specified in budget bill language how the additional funds will be spent and limited spending to those designated amounts. Key components of the recently approved spending plan will be replacement of outmoded voting equipment, voter education, voting system source code review, poll monitoring, and poll worker training.

Budget Bill Language

1. Funds shall be expended for the purposes approved in the April 11, 2006, Help America Vote Act spending plan. The amounts spent on each activity shall not exceed the maximum specified in the spending plan. In addition, that spending plan is amended to include \$760,000 for source code review in 2006-07, as described in the March 11, 2005, expenditure plan and consistent with Chapter 813 of the Statutes of 2004.
2. Notwithstanding any other provision of law, any funds not needed for an activity authorized in the spending plan shall not be redirected to other activities and are not authorized for expenditure.
3. The Secretary of State shall forward to the Chairperson of the Joint Legislative Budget Committee copies of quarterly reports sent to the Department of Finance. The quarterly reports shall provide, at a minimum, the level of expenditures by scheduled activity.
4. The Secretary of State shall forward to the appropriate legislative committees, each year prior to January 15, until the Statewide Voter Database is fully implemented, a report on the status of all of the

following:

(a) Election system security measures, including , all of the following:

(1) Source Code Review.

(2) Parallel Monitoring.

(3) Poll Monitoring, including a review of who conducted the monitoring and where they were located.

(b) Expected General Fund exposure for completion of HAVA compliance, including expected costs of administration.

(c) Completion of the CalVoter database, including information on the costs associated with the use of contractors and consultants, the names of the contractors and consultants used, and the purposes for which contractors and consultants were used.

5. The Department of Finance may authorize an increase in the appropriation of this item, up to the total amount of the program reserve. Any such approval shall be accompanied by the approval of an amended spending plan submitted by the Secretary of State providing detailed justification for the increased expenses. An approval of an augmentation or of spending plan amendments shall not be effective sooner than 30 days following the transmittal of the approval to the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the joint committee, or his or her designee, may determine.

6. Notwithstanding any other provision of law, any primary vendor contract for the development of a new statewide voter registration database shall be subject to the notification and other requirements under Section 11.00. The validity of any such contract shall be contingent upon the appropriation of funds in future budget acts.

- Amended the budget proposal to add \$3.1 million (Business Fees Fund) and 30 positions for processing notary applications and conduct background checks by reducing the request to 12 permanent positions and 4 two-year limited-term positions.
- Appropriated \$625,000 (Business Fees Fund) to conduct a forensic leak assessment and replace the security monitoring system at the Secretary of State and Archives Building complex. The Secretary of State building has encountered water intrusion problems during heavy weather, resulting in concerns about mold-related illnesses.
- Approved \$2.21 million (Business Fees Fund), including \$1.83 million ongoing to fund the maintenance and operation costs of data services and programming of the Uniform Commercial

Code (UCC) automated system, the system through which the Secretary of State files and shares certain financing statements.

- Approved trailer bill language directing the Secretary of State to implement the Online Disclosure Act (Longville, Chapter 917, Stats. 2001), including enabling the online filing of lobbying registration forms, no later than June 30, 2007. The Secretary of State is required to report periodically on the implementation and development of other online and electronic filing capabilities and the development of a means to submit all such filings free of charge.

0950 STATE TREASURER'S OFFICE

- Approved as budgeted—\$22.8 million and 222 positions.

0954 - 0985 STATE TREASURER'S BOARDS AND COMMISSIONS

- Approved as budgeted.

1110 / 1111 DEPARTMENT OF CONSUMER AFFAIRS

- Approved funding of \$10.7 million, special fund, over four years, for the iLicensing information technology project to allow Boards and Bureaus within the Department to accept applications and exam appointments online. Added budget bill language to require a Department-wide budget reduction of \$500,000 in 2009-10, and ongoing, to recognize expected efficiency gains from the project.
- Added funding for the Medical Board of \$225,000, special fund, to reflect the full cost of audits required by SB 231 (Chapter 674, Statutes of 2005, Figueroa). Reclassed 10.0 two-year limited-term positions to permanent, consistent with the recommendations of the Independent Monitor.
- Added funding for the Bureau of Security and Investigative Services of \$283,000, special fund, and 3.0 positions, to improve enforcement and licensing activity.

1700 FAIR EMPLOYMENT AND HOUSING

- Approved budget request to increase GF by \$1.0 million and 13.0 positions to improve enforcement.
- Added funding of \$250,000 GF to restore the mediation program, which was discontinued in 2002-03 due to budget cuts. Adopted budget bill language that requires the Department to redirect \$250,000 in existing resources to the mediation program, such that the program will receive \$500,000 in total funding. The Governor vetoed the augmentation and the budget bill language.

1730 FRANCHISE TAX BOARD

- Appropriated \$3.84 million (Court Collections Fund) and 31 positions to support the Court Ordered Debt (COD) Expansion Project, pursuant to Chapter 380, Statutes of 2004 (Escutia). The bill requires the Franchise Tax Board (FTB) to expand collection activities on delinquent court-imposed debts referred by state and local agencies.
- Approved a reduction to the California Child Support Automation System (CCSAS) project of \$33.8 million (\$10.2 million GF) to reflect a revised implementation and management plan for the CCSAS. Savings are attributable to revised printing, training, and consultant service needs.
- Subsequent to the prior action, approved a series of CCSAS-related project cost augmentations resulting from schedule revisions, totaling \$13.0 million.
- Adopted the Governor's Budget proposal to extend the suspension of the Teacher Retention Tax Credit for one year, generating a savings of \$165 million GF. The tax credit provides up to \$1,500 to credentialed teachers, depending on their years of service, with teachers with more tenure receiving a larger credit. This credit was suspended in 2002 and again in 2004 and 2005.
- Reduced the Franchise Tax Board budget by \$338,000 to recognize savings achieved through electronic tax return and remittance processing efficiencies and the associated reduction in paper filings.
- Adopted trailer bill language requiring reporting on tax expenditures by the Department of Finance. The Department of Finance will provide the Legislature with an annual tax expenditure report to the Legislature by September 15th, starting in 2007. The report will include a comprehensive list of tax expenditures (such as credits, exclusions, or deductions) exceeding \$5 million in annual revenue loss. Information about each tax expenditure will include a statutory citation, any available expression of legislative intent for the provision and any sunset date, a description of the beneficiaries of each tax expenditure and the number of taxpayers affected, a three-year estimate of revenue loss, whether there is a comparable federal tax benefit, and information about any recent evaluation of the tax expenditure.
- Adopted supplemental report language directing the Legislative Analyst's Office to provide annual reporting and recommendations related to FTB tax expenditure programs.

Supplemental Report Language

- The Legislative Analyst's Office (LAO) shall report to the chairs of the Senate Committee on Revenue and Taxation, the Assembly Committee on Revenue and Taxation, and the Joint Legislative Budget Committee no later than March 15, 2007 and October 1, 2007 regarding tax expenditure programs (TEPs). The report shall provide information on selected individual TEPs such as credits, deductions, and other special tax provisions, and be based, in part,

on data provided by the Board of Equalization, Employment Development Department, Franchise Tax Board, and other applicable state agencies, as requested by the LAO. The report shall also provide information, when available, on all newly enacted credits, deductions, exclusions, and exemptions. The number and nature of the individual TEPs reviewed in each report shall be determined by the LAO, taking account of workload considerations and in consultation with the Revenue and Taxation Committee of each house of the Legislature. To the extent possible, the reports shall, for each TEP involved: (a) describe the TEP; (b) discuss the program's rationale or objective; (c) identify the statutory, constitutional, or other authority for the program; (d) identify the program's cost in terms of forgone revenues; (e) describe the program's distributional impact on taxpayers by income, gross receipts, or other suitable measure; (f) assess the program's effectiveness and cost-efficiency in meeting its original intent; (g) evaluate the program's impact on taxpayer behavior; and (h) provide recommendations for repealing, modifying, establishing a sunset, or continuing indefinitely, each tax expenditure. If no clear statutory objective exists, the report shall include suggested legislative changes to establish an objective for the tax expenditure program.

- Approved an increase to reimbursements of \$256,000 (\$87,000 GF, \$169,000 Federal Trust Fund) to establish eight staff to enter child support wage withholding information in the Child Support Enforcement system for parents who do not receive public assistance and have not requested enforcement services of the state.
- Appropriated \$21.61 million GF, \$101,000 Motor Vehicle Account, \$188,000 Motor Vehicle License Fees, \$282,000 Court Collection Account, \$1.85 million reimbursements, and \$82,000 from the Political Reform Act budget (for a total of \$24.1 million) to fund increased rental costs and service expenses at the FTB's main office in Sacramento.

1760 DEPARTMENT OF GENERAL SERVICES

- Approved \$14.1 million GF to pay for the settlement of the case *Williams et al. v. State of California, et al.* (County of San Francisco Superior Court, Case Number 312236). Pursuant to Chapter 124, Statutes of 2005 (AB 351, Chu), the state must abide by the judgment in that case by providing public school students with equal access to instructional materials, safe and decent school facilities, and qualified teachers.
- Amended the budget proposal for \$3.7 million GF for preliminary plans and working drawings necessary to implement the structural retrofit of nine state facilities. The Subcommittee acted to recognize funding for work that would be completed in the budget year only (preliminary plans) and reduced the request by \$1.9 million GF.

- Adopted trailer bill language extending for one year the authority for state departments to contract with nonstate entities to perform certain publishing jobs that might otherwise be performed by the Department of General Services' Office of State Publishing.
- Adopted trailer bill language enabling the Director of the Department of General Services to exercise the option to purchase on an existing lease-purchase agreement for the Board of Equalization building at 450 N Street in Sacramento. The State Publics Works Board would issue bonds to finance the acquisition of the building. This purchase is anticipated to save several million dollars over the term of the bond, relative to the current lease payments.
- Adopted Supplemental Report Language requiring the Department of General Services to report on mobile equipment purchases as follows:

Supplemental Report Language

Mobile Equipment Purchases. On or before January 10, 2007, DGS shall provide a report to the Legislature (including budget and fiscal committees from both houses) on its expenditures for mobile equipment and, in conjunction with DGS, on recommended changes to the DGS procurement process to improve the timeliness of its mobile equipment purchases. In particular, the report shall include the following:

- (a) A comparison of budgeted and actual expenditures for mobile equipment, by type of equipment (such as fire engines, transports, trailers, et cetera), for fiscal year 2005-06.
 - (b) Actual expenditures in 2006-07 for mobile equipment, by type of equipment, as of December 1, 2006, and expenditure plans for the portion of the 2006-07 equipment appropriation and reappropriation which is unencumbered.
 - (c) Proposed expenditures, by equipment type, included in the 2007-08 Governor's Budget.
 - (d) Recommendations on changes that could be made to the DGS procurement process to improve the timeliness of the department's mobile equipment purchases, including statutory changes that would be necessary to implement these recommendations.
- Approved the programmatic transfer of \$6.9 million (Service Revolving Fund) and 54.6 positions from the Procurement Division to the Interagency Support Division. The affected positions work with property reutilization, surplus property sales, transportation management, transit storage, and federal surplus property programs.
 - Approved a budget reduction of \$7.8 million (special funds) to recognize operating expense savings resulting from recent personnel reduction measures, including Control Section 31.60 of the Budget Act of 2002 and Control Section 4.10 of the Budget Act of 2003.

- Appropriated \$32 million in expenditure authority for a local assistance appropriation to provide enhanced wireless services for 911 calls. This service will mean better identification of callers and improved cooperation between the CHP (who currently receives the most 911 calls) and the local Public Safety Answering Points. The rollout of enhanced 911 services has been delayed for years due to evolving technology, regulatory issues, and scheduling problems.
- Reduced the budget request for \$185,000 to establish a baseline equipment budget for new properties to \$73,000, ongoing, by recognizing one-time purchases that did not require an ongoing augmentation.
- Adopted budget bill language to require the Department of General Services to report no later than March 15, 2007, on building security measures adopted since the 2000-01 budget year.

Budget Bill Language

The Department of General Services shall collect information from all state departments in the executive branch on all state-owned buildings (office space) with a minimum of 50,000 square feet to determine the nature and level of security expenditures for fiscal years 2000-01 to 2005-06, inclusive. Information collected shall include the following, for each building meeting the above criteria: (a) annual expenditures on facility security, (b) annual expenditures on nonstate security personnel, (c) identification of any security-related budget augmentation requested during that period, (d) indication of whether a California Highway Patrol security assessment was performed on the facility, (e) identification and cost of any building security-related equipment purchased costing more than \$5,000 during this period, (f) facility location, (g) description of programmatic activities performed at the facility, and (h) a narrative explanation for increased costs during that period. The department shall provide this information to the Department of Finance, the Legislative Analyst's Office, and the budget committees of each house of the Legislature no later than March 15, 2007.

- Appropriated \$885,000 Service Revolving Fund to reflect the addition of eight positions in the department's budget for operations and maintenance at several CalTrans Sacramento-area buildings.
- Approved \$128,000 Service Revolving Fund to pay for water quality monitoring and permit fees for the DGS Central Services Plant at 628 Q Street in Sacramento.
- Approved the conversion of two real estate officer positions from limited-term to permanent that are responsible for Due Diligence workloads required of the department for all lease-revenue bond-funded projects.

- Appropriated \$852,000 and 10 positions ongoing to perform maintenance and custodial duties at the new Traffic Management Center in Los Angeles.
- Approved 2.2 positions and \$250,000 Service Revolving Fund in 2006-07 to provide maintenance and custodial services at the new office building. This building had been vacated and renovated and will now be occupied by the Department of Rehabilitation.

1880 STATE PERSONNEL BOARD

- Approved Finance Letter to augment the board's budget by \$2.5 million GF and 2.0 positions for an information technology project, with a multiyear total cost of \$5.3 million, which would replace the State's 30-year old exam and certification system.

1900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM

- Approved Finance Letter to add \$489,000, special fund, and 5.5 positions to implement the processing of Medicare Part D eligibility files, reconciliation files, and subsidy requests. Added budget bill language to require CalPERS to apply directly for the maximum possible amount of Medicare Part D drug subsidies in 2006 and 2007, and to require the Board to report to the Legislature if it decides to change its approach to Part D subsidies.

1920 STATE TEACHERS' RETIREMENT SYSTEM

- Approved Finance Letter to reduce the State's CalSTRS contribution by \$119.5 million GF, on a one-time basis, to correct for overpayments in past years due to errors recently discovered in the CalSTRS accounting system.

1955 DEPARTMENT OF TECHNOLOGY SERVICES

- Reduced the Department of Technology Services (DTS) budget by \$1,091,000 and 8.7 Positions to reflect staff savings achieved as a result of Data Center Consolidation. This request represents the first year of budget savings created by data center consolidation. The department estimates they will achieve \$45.6 million in savings over a four-year period.
- Appropriated \$4.0 million (DTS Revolving Fund) to enable the department to move this system from an IBM data center in Colorado to a state data center. This move is necessary to comply with a federal directive and protect the system in-state.
- Appropriated \$5.7 million (DTS Revolving Fund) to purchase mainframe processing capacity in order to meet projected workload increases and upgrade software. This capacity growth need is primarily driven by population growth and the corresponding impact on departments' IT needs.
- Approved \$4.1 million (DTS Revolving Fund) to facilitate the replacement of 45 UNIX and 70 Windows servers with 120 new Windows servers and 10 UNIX servers.

2100 ALCOHOLIC BEVERAGE CONTROL

- Approved an augmentation of \$1.7 million, special fund, to permanently increase the Grant Assistance Program, which provides funding to local law enforcement to enforce the state's alcohol laws.
- Rejected an augmentation of \$1.7 million, special fund, to augment the Department's overtime budget.

2150 DEPARTMENT OF FINANCIAL INSTITUTIONS

- Shifted four of six positions added to the Department in 2004-05 for workload associated with the California Financial Information Privacy Act (SB1, Chapter 241, Statutes of 2004, Speier), to workload associated with the Bank Security Act and the money transmitter industry. A Department report had suggested that SB 1 workload was significantly less than what was anticipated in 2004.

2180 DEPARTMENT OF CORPORATIONS

- Shifted nine of ten positions added to the Department in 2004-05 for workload associated with the California Financial Information Privacy Act (SB1, Chapter 241, Statutes of 2004, Speier), to general enforcement workload, including the reclassification of three positions to reestablish the investigation function.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- Restored the \$864,000 GF cut proposed by the Governor to the Emergency Housing Assistance Program (EHAP) – to bring funding back to the 2005-06 level of \$4.0 million.
- Approved funding of \$3.4 million GF to support ongoing operations and the reconstruction of two migrant childcare centers operated by the Office of Migrant Services.
- Approved the Finance Letter to transfer funds in the Adaptive Reuse Component of the Downtown Rebound Program to the GF. Made technical changes to the transfer that did not change the net gain of \$7.5 million to the GF.
- Added one-time funding of \$500,000 GF to support the Self-Help Housing Program. The Governor vetoed this augmentation.

Trailer Bill Language

1. Approved language to allow \$15 million in Proposition 46 bond funds to be shifted from the Adaptive Reuse Component of the Downtown Rebound Program to the Transit-Oriented Housing Component of the same program.

2. Adopted language, which was requested by the Administration, to delete the sunset date for Enterprise Zone (EZ) fees. The fees, not to exceed \$10 per application, fund the Department's cost of administering the program.

2320 DEPARTMENT OF REAL ESTATE

- Approved an augmentation of \$2.7 million, special fund, to add 33 new positions for the Enforcement Program. Added budget bill language requiring a report to the Legislature by January 2008 to assess the needed for further staff adjustments to recognize the cyclical nature of the real estate industry.
- Approved a permanent augmentation of \$2.3 million, special fund, for specified operating expense and equipment costs.
- Approved multiyear funding, special fund, for three information technology projects: Information Technology Replacement Project (\$2.2 million); Interactive Voice Response Replacement (\$1.9 million); and Electronic Examinations Project (\$3.9 million).

2400 DEPARTMENT OF MANAGED HEALTH CARE

- Approved a permanent augmentation of \$3.8 million, special fund, and 17.0 positions to implement the Provider Oversight Program to carry out the requirements of SB 260 (Chapter 529, Statutes of 1999, Speier) and AB 1455 (Chapter 827, Statutes of 2000, Scott).
- Revised a Finance Letter request to approve 11 of 12 new positions in the Health Plan Oversight Division. The Department indicated it could absorb the cost of these positions within existing budget authority. The rejected position was a supervisory position, which the Legislative Analyst indicated was unnecessary given the supervisory / staff ratios of the Division.

8260 CALIFORNIA ARTS COUNCIL

- Approved as budgeted, which includes approval of a \$1.8 million augmentation in local assistance grants. The augmentation is supported by increased revenue from the arts car-license-plate program.

8320 PUBLIC EMPLOYEE RELATIONS BOARD

- Approved as budgeted.

8380 DEPARTMENT OF PERSONNEL ADMINISTRATION

- Reduced a requested one-time \$1.0 million GF augmentation to \$640,000, which will fund classification and selection reform in the information technology area. Rejected \$360,000 for reform of undesignated classifications.
- Approved a \$1.7 million special fund augmentation for third-party administrator fees related to the Savings Plus Program.
- Approved an increase in reimbursement authority of \$1.3 million due to rate increases and separately approved an increase of \$852,000 and 6.0 positions due to workload growth – both for the Legal Services Division.
- Rejected a request for \$100,000 GF to implement a consolidated State Personnel Board and Department of Personnel Administration website.

Budget Bill Language

1. Added language to require that future salary survey reports be submitted to the Legislature.

8620 FAIR POLITICAL PRACTICES COMMISSION

- Amended the Governor's Budget proposal for \$700,000 GF and 12.2 positions to meet workload requirements stemming from new Legislative mandates and the Political Reform Act, by shifting \$43,000 in personal services funding to operating expense. The new positions will be assigned to enforcement, investigations, legal counsel, legal support, and administrative support.

8855 BUREAU OF STATE AUDITS

- Augmented the budget by \$1.2 million GF to address recruitment and retention challenges at the Bureau of State Audits (BSA) and also allow the BSA to contract out of portions of the annual federal audit.

8885 COMMISSION ON STATE MANDATES

- Appropriates \$83 million for the first year of a 15-year repayment cycle for past due state mandate claims.
- Appropriates \$86.9 million for the second year of a 15-year repayment cycle for past due state mandate claims.

- Rejected a Governor's Budget proposal to appropriate \$50 million in funding for the AB 3632 children's mental health mandates in the Commission on State Mandates budget. This funding was shifted to the Department of Mental Health budget.
- Adopted a cost savings calculation of \$44 million related to the State Controller's findings of reduced or disallowed mandate claims in the budget year.
- Augmented the budget by \$16.6 million to recognize the 2005-06 costs for the Peace Officers Bill of Rights mandate.
- Augmented the budget by \$16.6 million to recognize the 2006-07 costs for the Peace Officers Bill of Rights mandate.
- Appropriated \$90.3 million for the payment (in arrears) of the cost of 2005-06 mandates.
- Augmented the budget by \$109.0 million for funding of the following 35 mandates in the budget year.

Budget Bill Language

- (a) Crime Victim Rights (Ch. 411, Stats. 1995) (CSM-96-358-01)
- (b) Threats Against Peace Officers (Ch. 1249, Stats. 1992 and Ch. 666, Stats. 1995) (CSM-96-365-02)
- (c) Custody of Minors-Child Abduction and Recovery (Ch. 1399, Stats. 1976; Ch. 162, Stats. 1992; and Ch. 988, Stats. 1996) (CSM-4237)
- (d) Stolen Vehicle Notification (Ch. 337, Stats. 1990) (CSM-4403)
- (e) Absentee Ballots (Ch. 77, Stats. 1978) (CSM-3713)
- (f) Permanent Absent Voters (Ch. 1422, Stats. 1982) (CSM-4358)
- (g) Voter Registration Procedures (Ch. 704, Stats. 1975) (04-LM-04)
- (h) Absentee Ballots-Tabulation by Precinct (Ch. 697, Stats. 1999) (00-TC-08)
- (i) Brendon Maguire Act (Ch. 391, Stats. 1988) (CSM-4357)
- (j) Medi-Cal Beneficiary Death Notices (Chs. 102 and 1163, Stats. 1981) (CSM-4032)
- (k) Pacific Beach Safety (Ch. 961, Stats. 1992) (CSM-4432)
- (l) Perinatal Services (Ch. 1603, Stats. 1990) (CSM-4397)
- (m) AIDS/Search Warrant (Ch. 1088, Stats. 1988) (CSM-4392)
- (n) Mentally Retarded Defendants Representation (Ch. 1253, Stats. 1980) (04-LM-12)
- (o) Judicial Proceedings (Ch. 644, Stats. 1980) (CSM-4366)
- (p) Conservatorship: Developmentally Disabled Adults (Ch. 1304, Stats. 1980) (04-LM-13)
- (q) Developmentally Disabled Attorneys' Services (Ch. 694, Stats. 1975) (04-LM-03)
- (r) Coroners Costs (Ch. 498, Stats. 1977) (04-LM-07)

- (s) Not Guilty by Reason of Insanity (Ch. 1114, Stats. 1979) (CSM-2753)
- (t) Mentally Disordered Offenders' Extended Commitments Proceedings (Ch. 435, Stats. 1991) (98-TC-09)
- (u) Sexually Violent Predators (Chs. 762 and 763, Stats. 1995) (CSM-4509)
- (v) Mentally Disordered Sex Offenders' Recommitments (Ch. 1036, Stats. 1978) (04-LM-09)
- (w) Domestic Violence Treatment Services (Ch. 183, Stats. 1992) (CSM-96-281-01)
- (x) Police Officer's Cancer Presumption (Ch. 1171, Stats. 1989) (CSM-4416)
- (y) Firefighter's Cancer Presumption (Ch. 1568, Stats. 1982) (CSM-4081)
- (z) Domestic Violence Arrest Policies (Ch. 246, Stats. 1995) (CSM-96-362-02)
- (aa) Animal Adoption (Ch. 752, Stats. 1998) (98-TC-11)
- (bb) Unitary Countywide Tax Rates (Ch. 921, Stats. 1987) (CSM-4355 and CSM-4317)
- (cc) Senior Citizens Property Tax Deferral (Ch. 1242, Stats. 1977) (CSM-4359)
- (dd) Allocation of Property Tax Revenues (Ch. 697, Stats. 1992) (CSM-4448)
- (ee) Photographic Record of Evidence (Ch. 875, Stats. 1985) (98-TC-07)
- (ff) Rape Victim Counseling (Ch. 999, Stats. 1991) (CSM-4426)
- (gg) Health Benefits for Survivors of Peace Officers and Firefighters (Ch. 1120, Stats. 1996) (97-TC-25)
- (hh) Postmortem Examinations (Ch. 284, Stats. 2000) (01-TC-18)
- (ii) False Reports of Police Misconduct (Ch. 590, Stats. 1995) (00-TC-26)

- Approved the suspension of the following 28 mandates during the budget year.

Budget Bill Language

- (a) Grand Jury Proceedings (Ch. 1170, Stats. 1996) (98-TC-27)
- (b) Sex Crime Confidentiality (Ch. 502, Stats. 1992, Ch. 36, Stats. 1994, 1st Ex. Sess.) (98-TC-21)
- (c) Deaf Teletype Equipment (Ch. 1032, Stats. 1980) (04-LM-11)
- (d) Sex Offenders: Disclosure by Law Enforcement Officers (Chs. 908 and 909, Stats. 1996) (97-TC-15)
- (e) Missing Persons Report (Ch. 1456, Stats. 1988, and Ch. 59, Stats. 1993) (CSM-4255, CSM-4484, and CSM-4368)
- (f) Handicapped Voter Access Information (Ch. 494, Stats. 1979)

(CSM-4363)

(g) Substandard Housing (Ch. 238, Stats. 1974) (CSM-4303)

(h) Adult Felony Restitution (Ch. 1123, Stats. 1977) (04-LM-08)

(i) Very High Fire Hazard Severity Zones (Ch. 1188, Stats. 1992) (97-TC-13)

(j) Local Coastal Plans (Ch. 1330, Stats. 1976) (CSM-4431)

(k) SIDS Training for Firefighters (Ch. 1111, Stats. 1989) (CSM-4412)

(l) SIDS Contacts by Local Health Officers (Ch. 268, Stats. 1991) (CSM-4424)

(m) SIDS Autopsies (Ch. 955, Stats. 1989) (CSM-4393)

(n) Inmate AIDS Testing (Ch. 1597, Stats. 1988) (CSM-4369)

(o) SIDS Notices (Ch. 453, Stats. 1974) (04-LM-01)

(p) Guardianship/Conservatorship Filings (Ch. 1357, Stats. 1976) (04-LM-15)

(q) Victims' Statements-Minors (Ch. 332, Stats. 1981) (04-LM-14)

(r) Extended Commitment, Youth Authority (Ch. 267, Stats. 1998) (98-TC-13)

(s) Prisoner Parental Rights (Ch. 820, Stats. 1991) (CSM-4427)

(t) Structural and wildland firefighter safety clothing and equipment (8 Cal. Code Regs. 3401 to 3410, incl.) (CSM-4261-4281)

(u) Personal Alarm Devices (8 Cal. Code Regs. 3401(c)) (CSM-4087)

(v) Law Enforcement Sexual Harassment Training (Ch. 126, Stats. 1993) (97-TC-07)

(w) Elder Abuse, Law Enforcement Training (Ch. 444, Stats. 1997) (98-TC-12)

(x) Redevelopment Agencies Tax Disbursement Reporting (Ch. 39, Stats. 1998) (99-TC-06)

(y) Mandate Reimbursement Process (Ch. 486, Stats. 1975) (CSM-4204, CSM-4485)

(z) Filipino Employee Surveys (Ch. 845, Stats. 1978) (CSM-2142)

(aa) Domestic Violence Information (Ch. 1609, Stats. 1984) (CSM-4222)

(bb) Pocket Masks (Ch. 1334, Stats. 1987) (CSM-4291)

- Adopted trailer bill language to clarify the state's procedures for including funds for new mandates in the annual state budget and established a cut-off date of March 31 for mandates to be funded in the budget year. Existing law specifies that mandates "determined in a preceding fiscal year to be payable by the state" means mandates for which the Commission on State Mandates (or its predecessor agency) adopted a statewide cost estimate during a preceding fiscal year, unless the mandate has been repealed or otherwise eliminated. The new statutory language ensures that mandate costs will be determined at a reasonable time for budgeting purposes.

- Adopted trailer bill language to require the Commission on State Mandates to reconsider its 1984 and 1992 statements of decision that the workers' compensation cancer presumptions for firefighters and peace officers constitute reimbursable mandates. The Legislative Analyst recommended this reconsideration on the basis that the state may no longer be required to reimburse these costs under subsequent decisions by the courts and the commission, and, even if determined still to be reimbursable mandates, changes in workers' compensation law may have reduced the amount of reimbursable cost to local governments (currently about \$4 million annually). Regardless of the outcome of the reconsideration, there would not be any reduction in the rights of firefighters or peace officers to the presumption or to benefits.
- Rejected a budget proposal to execute a \$370,000 contract with the Center for Collaborative Policy at California State University Sacramento to facilitate mandate process reforms.

8910 OFFICE OF ADMINISTRATIVE LAW

- Approved Governor's Budget, including expenditures of \$2.7 million and 21 positions.

8940 DEPARTMENT OF THE MILITARY

- Approved a budget augmentation of \$3.5 million to allow the Department of the Military to address their armory infrastructure needs by making repairs, modernizing facilities, and ensuring compliance with environmental laws and building codes. The Administration estimates a total deferred maintenance backlog of \$35 million in the state's armories.
- Amended the budget proposal for \$182,000 GF and two auditor positions to allow the Military Department to establish an Internal Control Office. The Legislature adopted Budget Bill language to require performance reporting to the Legislature by the new office.

Budget Bill Language

On or before April 10, 2007, the Military Department shall provide to the Legislature a report on the findings of the Internal Control Office. This information shall include, at a minimum, the following: (a) identified control deficiencies based on the initial risk analysis, (b) any improvements made to date, and (c) a work plan for addressing the remaining deficiencies as well as the criteria for prioritizing the subject and scope of ongoing internal reviews.

- Adopted budget bill language specifying that up to \$20,000 shall be spent for a direct communications outreach program to California National Guard service members and their family on the benefits of the California Military Family Relief Fund.

Budget Bill Language

Of the amount appropriated in Schedule (3), up to \$20,000 shall be expended for a comprehensive direct communications initiative to reach

each California National Guard service member and his or her family. This initiative shall include, but not be limited to, quarterly mailings of eligibility information and applications for California Military Family Relief Fund funds to service members and families of deployed service members.

- Appropriated \$1 million GF to acquire a two-year purchase option on 30 acres of land at the former Mather Air Base to build a new headquarters complex.
- Revised the department's budget by requiring the department to utilize excess operating expense funding to implement a targeted outreach plan to spouses and families of deployed guard members, in order to improve applications for California Military Relief Fund support.
- Appropriated \$1.6 million (\$1.177 million Federal Funds, \$391,000 GF) to renovate kitchens and latrines at selected armories in California.
- Reduced the Governor's Budget request for \$261,000 GF and two personnel years for the State Military Reserve (SMR) in order to address increased workload associated with recruitment and support travel and per diem costs for professional training. The Subcommittee approved the augmentation of only one position.
- Approved \$2.5 million GF to implement the construction phase of the Roseville Armory expansion and renovation project. The federal government will contribute \$881,000 to this phase of the project.
- Adopted a Finance Letter proposal for \$3.9 million (\$900,000 GF) and 17.8 positions to establish a second Youth Challenge Program that will serve "at-risk" 16–18 year-olds who have dropped out of school, are unemployed, and meet other at-risk criteria.

9100 TAX RELIEF

- Appropriated \$39.6 million to fully fund the Williamson Act subventions for open space preservation.
- Appropriated \$5.6 million in adjustments to the Senior Citizens' Property Tax Assistance Program and Renters' Tax Assistance Program, including a decrease of \$420,000 in the Senior Citizens' Property Tax Assistance Program and an increase of \$5.98 million in the Senior Citizens' Renters' Tax Assistance Program. These adjustments are based on revised participation estimates from the Franchise Tax Board.

9210 LOCAL GOVERNMENT FINANCING

- Approved funding of \$119 million GF for the Citizen's Option for Public Safety (COPS) program.

- Approved \$119 million for the Juvenile Justice Crime Prevention Act (JJCPA) grant program.
- Approved \$18.5 million GF for grants to rural and small county sheriffs for law enforcement activities.
- Approved \$35 million for cities and other entities for jail booking and processing fees.
- Adopted trailer bill language authorizing a new state subvention of \$35 million annually (subject to appropriation) for the operation, maintenance or construction of local detention facilities, starting in 2007-08, and prohibiting counties and cities from charging general booking fees in any fiscal year during which the subvention is fully funded. Existing law authorizes counties to charge cities and other local entities up to half of their costs associated with booking most arrested persons into county jails.
- Approved disaster relief funding of \$1.6 million for subventions to communities affected by mudslides and severe storms in 2005. This funding is pursuant to legislation enacted in the 2005 session.

9600 REVISED GENERAL OBLIGATION BOND DEBT SERVICE ESTIMATE

- Appropriated \$32 million to prepay general obligation bond debt payable in 2007-08.

9620 INTEREST PAYMENTS ON GENERAL FUND LOANS

- Approved a \$21 million interest payment on the \$177 million in outstanding special fund loans that will be paid one year early.

9650 SUPPORT FOR HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

- Approved as budgeted, which represents an increase of \$124.2 million GF or 14 percent above the amount budgeted in the 2005 Budget Act. The Legislative Analyst indicates that the increase reflects growth of 4.7 percent in enrollment and growth of 9.5 percent in health care inflation.

9800 AUGMENTATION FOR EMPLOYEE COMPENSATION

- Approved Governor's Budget and Finance Letter increases related to the *Plata v. Schwarzenegger* lawsuit which total \$82.4 million GF.
- Approved Governor's Budget and Finance Letter increases related to State bargaining units with contractually specified increases for 2006-07.

CONTROL SECTIONS

3.45 STATEWIDE GENERAL FUND REDUCTIONS RELATED TO SALARIES AND WAGES

- Rejected the Governor's Budget proposal to reduce all GF appropriations by one percent to achieve \$58 million in primarily salaries and benefits-related savings.

3.60 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS

- Adopted revised rates for the six retirement classes, pursuant to the CalPERS Board adoption of new rates on May 17, 2006. The new rates will increase the State's 2006-07 retirement contributions by approximately \$43 million GF.

4.01 EMPLOYEE COMPENSATION SAVINGS

- Approved language to authorize the Director of Finance to reduce Budget Act appropriations for savings related to the Alternative Retirement Plan and savings related to new collective bargaining agreements.

4.05 UNALLOCATED GENERAL FUND REDUCTIONS

- Revised the Governor's Budget proposal to achieve up to \$200 million in unallocated budget reductions by enhancing the Department of Finance's reporting requirements and restricting unallocated reductions to up to 20 percent of state operations appropriations and 5 percent of local assistance appropriations.

4.06 MID-YEAR CORRECTION AUTHORITY

- Rejected budget bill language which would have, if enacted, enabled the Governor to make mid-year reductions to GF appropriations.

4.75 STATEWIDE SURCHARGES

- Approved budget bill language to allow the Director of Finance to adjust appropriations to reflect the appropriate statewide surcharges approved in the Budget Act.

5.50 CONTRACT SAVINGS

- Reversed projected ongoing savings of \$100 million, per the May Revise, that were built into the current-year budget. Savings were unachievable largely due to double counting by departments.

8.50 FEDERAL FUND RECEIPTS

- Revised Control Section 8.50 to exempt the receipt of Temporary Assistance for Needy Families (TANF) funds from the provisions of this item requiring automatic substitution of federal funds.

14.00 SPECIAL FUND LOANS: DEPARTMENT OF CONSUMER AFFAIRS

- Approved special fund loan authority for loans among Boards and Bureaus in the Department of Consumer Affairs.

31.00 ADMINISTRATIVE PROCEDURES FOR SALARIES AND WAGES

- Revised Control Section 31.00 to clarify intent regarding reporting to the Legislature on administratively-established positions.

Trailer Bill Language

1. Added language to require annual reporting by the Department of Finance to the Legislature on the number of permanent employees, by department, appointed as full-time or part-time tenure in the “blanket” positions for more than six consecutive months.

33.50 STRATEGIC SOURCING REPORTING

- The Legislature adopted budget bill language—and the Governor subsequently vetoed—which would have required reporting to the Legislature on the amount of strategic sourcing savings achieved, detail on the nature of those savings, and information regarding the extension of the current contract.

Budget Bill Language

SEC. 33.50. (a) Notwithstanding any other provision of law, the Department of Finance may periodically reduce items of appropriation in this act for the 2006-07 fiscal year for savings tied to the California Strategic Sourcing Initiative. The Director of Finance shall report quarterly to the Chairperson of the Joint Legislative Budget Committee on payments made to the contractor hired for the California Strategic Sourcing Initiative and at least 30 days prior to reducing any item of appropriation. The quarterly report and notice on reducing appropriations shall include, but is not limited to, the following: (1) identifying which department received the savings; (2) identifying when and how the savings were achieved; (3) identifying the types of goods and services as to which savings were achieved; and (4) describing the methodology used to calculate the savings. The report shall also include all savings summary reports provided by the Department of General

Services to the Department of Finance.

(b) Any joint partnership contracts in support of the California Strategic Sourcing Initiative shall be executed no sooner than 30 days after written notification has been provided to the Joint Legislative Budget Committee.

35.60 BUDGET STABILIZATION ACCOUNT TRANSFER TO THE GF

- Rejected the Governor's Budget proposal to permit the Director of Finance to make transfers from the Budget Stabilization Account to the GF reserve whenever s/he determines that a shortfall will occur in the GF reserve.

JUDICIARY

0250 JUDICIAL BRANCH

- Approved a one-time increase of \$1.3 million from the Appellate Court Trust Fund to support non-capital furniture, fixtures, and moving costs for the new Fifth Appellate District Courthouse in Fresno.
- Approved \$3.3 million GF on a three-year limited-term basis for increased information technology costs supporting the Administrative Office of the Courts (AOC), Supreme Courts, and the courts of appeal.
- Approved \$1.2 million and 12 positions to create four new case teams for capital habeas corpus appointments, in order to be able to accept more capital habeas cases from the California Supreme Court.
- Approved \$18.7 million GF to provide an additional 97 entrance screening stations in superior court facilities, and to establish a five-year replacement cycle for new and existing entrance screening equipment.
- Approved \$57.5 million to restore a one-time reduction in the amount of General Fund appropriated to the Trial Court Trust Fund.
- Approved a proposal for \$5.5 million GF to set aside one month of funding for 50 new superior court judgeships. The judgeships will be authorized in separate Legislation. Adopted budget bill language that restricted funds for the purpose of adding new judgeships and accompanying staff and directs the Judicial Council to report on the filling of the new judicial positions and accompanying staffing.
- Approved withdrawal of a proposal for an augmentation of \$12.3 million for development and implementation of several information technology systems for the trial courts. The funding was no longer needed due to an updated implementation and expenditure date.
- Approved a proposal of \$31.6 million from the State Court Facilities Construction Fund and augmented by \$29.7 million to facilitate the conversion of the Sisk federal courthouse in Fresno County to a state trial court facility.
- Approved an augmentation of \$113.1 million for the trial courts based on the State Appropriations Limit (SAL) increase of 4.96 percent. Approved trailer bill language to formalize the calculation methodology for calculating SAL for the trial courts, removed judicial compensation from the base for the purpose of calculating the SAL, and removed continuous appropriation language from the proposal. Adopted Supplemental Report Language which designates the allocation of the SAL funding. The language designates up to \$5 million from the SAL amount for Judicial Council priorities – identified as additional funding for self-help

centers, and staff and equipment for new courthouses, and includes allocations for inflation and workforce, as well as for workload growth.

- Approved an increase of \$14.7 million to provide an 8.5 percent increase for judicial compensation, effective January 1, 2007.
- Approved an augmentation of \$10 million to provide funding for interpreters in civil cases. Adopted budget bill language that specifies the priorities for use of these funds. The Governor deleted this augmentation by veto and deleted the budget bill language, indicating that the Judicial Council would identify efficiencies and best practices and will, to the extent possible, expand the use of interpreters in civil cases using existing resources.

0280 COMMISSION ON JUDICIAL PERFORMANCE

- Approved as budgeted -- \$4.1 million GF.

0390 CONTRIBUTIONS TO JUDGES' RETIREMENT SYSTEM

- Approved as budgeted.

PUBLIC SAFETY AND CRIMINAL JUSTICE

0552 OFFICE OF THE INSPECTOR GENERAL

- Approved as budgeted

0690 OFFICE OF EMERGENCY SERVICES

- Approved a Finance Letter augmentation of \$23.7 million to fund the estimated costs of response to and recovery from disasters, including the recent federally-declared disaster known as the 2006 Winter Storms.
- Approved budget bill language to designate funds from federal homeland security grants for the Office of Emergency Services (OES) to contract for an independent gap analysis of the state's preparedness for a large-scale catastrophic disaster.
- Approved a reduction of two positions and \$125,000 to the State Warning Center proposal for increased staffing.
- Approved a proposal to fund \$1.1 million from the Victim Witness Fund on a two-year basis, to provide services to victims and witnesses at parole revocation hearings.
- Approved an augmentation of \$20 million on a two-year limited-term basis to provide funding from the California Multi-jurisdictional Methamphetamine Enforcement Team (Cal-MMET) program. Approved budget bill language that allows up to 5 percent of the funds to be used for an independent study on the effectiveness of the program.
- Rejected the proposal to provide \$6 million for the Sexual Assault Felony Enforcement (SAFE) team grant program. This level of funding for the SAFE program is contained in SB 1128 that is currently before the Legislature.
- Approved the budget display for the Law Enforcement and Victim Services (LEVS) budget and adopted budget bill language that requires a special display in the Governor's budget and annual reporting on the grant programs.
- Approved a reappropriation of \$10.4 million in previously frozen federal funds.
- Rejected a proposal to create the Office of Homeland Security (OHS) as an independent entity, and approved funding for OHS as a separate program within the OES budget.
- Rejected a proposal to create a Science and Technology Unit (\$465,000 federal funds) within OHS.
- Rejected a proposal to provide \$5 million from the Antiterrorism fund for the Mass Transportation Security Grant program.

- Approved an increase of \$147,000 from federal funds and Antiterrorism funds to increase funding for administrative services for the OHS through the OES.
- Approved \$8 million GF for the Vertical Prosecution Block Grant Program.
- Approved augmentations of \$400,000 GF for the Innocence Project and \$50,000 GF for the Youth Crisis Hotline Program. The Governor deleted the augmentations for the Innocence Project and for the Youth Crisis Hotline.
- Approved an augmentation of \$500,000 for the Central Coast Rural Crime Prevention Program.

0820 DEPARTMENT OF JUSTICE

- Approved a proposal for \$5 million GF for handling workload increases associated with the Armed Prohibited Persons System database, which cross-references persons who possess or own a firearm and who have been subsequently prohibited from owning or possessing a firearm.
- Approved a proposal for \$3.3 million GF to establish an annual plan of vehicle replacement.
- Approved a proposal for \$4.6 million GF to establish an ongoing equipment baseline to replace forensic equipment.
- Approved a proposal for \$4.2 million GF to continue funding the underwriter's litigation.
- Approved \$3 million from federal funds and special funds to prosecute pharmaceutical manufacturers for violations of the False Claims Act.
- Approved \$1.2 million from special funds to provide additional funding for the missing persons DNA program.
- Approved \$1.3 million GF to handle increased workload in the area of complex financial crimes and identity theft.
- Approved an augmentation of \$6 million GF for the California Methamphetamine Strategy (CALMS) program, and approved budget bill language providing that up to 5 percent of the increase could be used to perform an independent analysis of the program.
- Approved an augmentation of \$6.5 million GF on a two-year limited-term basis to establish four Gang Support Enforcement Teams (GSET) across the state.
- Approved a proposal to provide \$2.8 million GF to replace DOJ's radio communications system infrastructure.
- Adopted trailer bill language regarding the DNA Fingerprint, Unsolved Crime and Innocence Protection Act (Proposition 69) to add an assessment on criminal fines and reduced GF by \$7.3 million due to the increased revenues from the assessment.
- Approved \$1 million GF for climate change litigation.

0855 GAMBLING CONTROL COMMISSION

- Approved \$1 million from the Special Distribution Fund and the Gambling Control Fund to address workload at the Gambling Control Commission. The augmentation includes funding for additional licensing workload and field inspection positions on a two-year limited-term basis. No new auditor positions were part of this augmentation.
- Approved \$732,000 from the Special Distribution Fund on a two-year limited-term basis to develop a technical services program to support the field inspection program.

1870 VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD

- Approved a proposal for an increase of \$607,000 from the Restitution Fund to expand the criminal restitution compact contracts to include four new counties.
- Approved a Finance Letter request for a one-time increase of \$2 million from the Restitution Fund due to relocation costs for the board.

5225 DEPARTMENT OF CORRECTIONS & REHABILITATION

- Approved a proposal for \$22.8 million GF to fund recidivism reduction strategies. Including \$30 million approved in the 2005 Budget Act, the funding provides \$21.1 million for enhancement to inmate education and vocational education programs; \$7.7 million for community partnerships; \$7.8 million for parole service expansions; \$9.9 million for institution based rehabilitative and treatment programs; and \$6.2 million to research the effectiveness of correctional programs. Adopted budget bill language requiring the Department of Corrections and Rehabilitation (CDCR) to report to the Legislature in September with an implementation and evaluation plan including projected implementation timelines, program outcome targets and baseline outcome data for each program that is part of the strategies. Adopted budget bill language that designated \$900,000 from the funding for three comprehensive evaluations by correctional experts of adult prison and parole programs designed to reduce recidivism.
- Approved proposals totaling \$273 million GF based on projected increases to the adult inmate and parole populations. For 2006-07, the May Revise reflects an estimated average daily inmate population of 175,617 and an estimated average daily parole population of 117,754. The estimated average daily inmate population for 2006-07 is about 7,600 inmates higher than the estimated average daily inmate population in the current year.
- Approved \$4.8 million GF for statewide implementation of in-cell integration as required in the settlement agreement for the *Johnson v. State* lawsuit.
- Approved proposals to increase adult local assistance by \$21.9 million GF to reimburse the locals for the costs associated with housing state inmates, including increasing the daily jail rate from \$68.22 to \$71.57.
- Approved a proposed increase of \$56 million GF to provide a 3.1 percent price increase, consistent with the price increase for other state agencies.
- Approved a one-time augmentation of \$11 million GF to address special repair projects.

- Approved a proposal to provide \$4.1 million GF to purchase new protective vests and to establish a replacement schedule for vests.
- Approved Supplemental Report Language directing the CDCR to report to the Legislature on its efforts to create a new custody assistant classification.
- Approved \$54.5 million to expand the number of cadets to be trained in the Basic Correctional Officer Academy.
- Approved \$5.1 million GF to add 500 Global Positioning System (GPS) devices to track and monitor high risk parolees, as part of a four-year plan to add 2,000 GPS devices by 2009-10.
- Deleted budget bill language that would have authorized CDCR to contract with private providers to build contract bed capacity of up to 8,500 beds for 2007-08.
- Adopted Supplemental Report Language directing CDCR to create new displays to be included in the Governor's budget and to include certain performance measures for its major programs.
- Approved \$36.8 million GF to begin preliminary plans for an additional 695 intermediate care facility mental health treatment beds pursuant to a court order in the *Coleman* case, and to provide additional treatment space for an existing 650 Enhanced Outpatient Program beds.
- Approved \$20.2 million GF to establish 254 positions to comply with recent court orders that require implementation of new program guidelines for the Mental Health Delivery System and requires CDCR to increase the level of headquarters oversight of the Mental Health Program.
- Approved \$12.7 million GF to provide psychiatrists who meet the qualifications specified by the *Coleman* court to receive a 10 percent salary increase, as well as to establish a recruitment bonus for new employees coming from outside state service.
- Approved \$6 million GF to assist in the recruitment of healthcare staff.
- Approved \$21.5 million GF and 326 positions to implement the first year of a three year rollout of improvements to inmate dental services in response to the *Perez v. Hickman* court case. Also approved \$2.8 million for additional supervisory staff for dental offices. The Governor vetoed budget bill language that would have limited the expenditure of the funds pending the submission of a court required staffing study to the Legislature. The veto message indicates that the study will be provided to the Legislature when it is available, but that the language could have limited the department's ability to implement the plans and meet court requirements.
- Approved budget bill language requiring CDCR to establish guidelines for use of telemedicine and to establish performance targets.
- Approved an augmentation of \$250.5 million GF to increase the base funding for medical services and to fund projected shortfalls in the areas of contract medical, pharmaceuticals, and medical guarding.
- Appropriated \$100 million GF in unallocated funds for additional healthcare expenditures to be requested by the federal receiver in the *Plata* case. Created a stand alone budget item for the healthcare services program.

- Approved an increase of \$19.5 million to reimburse local correctional agencies for the costs of providing sheriffs' deputies and probation officers with training consistent with training standards developed by the Correctional Standards Authority.
- Approved \$6.7 million GF to fund positions at Board of Parole Hearings in response to the *Rutherford* lawsuit regarding hearings for lifer inmates.
- Adopted budget bill language which allows reimbursement of district attorney costs for representing the state at parole revocation hearings in certain circumstances.
- Approved a proposal for \$7.5 million GF and 90 positions to implement the Division of Juvenile Justice (DJJ) Health Care Remedial Plan.
- Approved a proposal for \$14.8 million GF and 186 positions to implement the DJJ Mental Health Remedial Plan.
- Approved \$38.4 million GF for the Ward Safety and Welfare Remedial Plan and adopted budget bill language directing DJJ to focus implementation of the rehabilitation plans on one institution in the budget year, and requiring DJJ to report on implementation of the remedial plans, including information on performance measures, and short and long term outcome targets.
- Approved an augmentation of \$10 million GF to establish the Juvenile Justice Community Reentry Challenge Grant program. The purpose of the program is to improve the performance and cost-effectiveness of post-custodial supervision of juvenile parolees, reducing the recidivism rate for juvenile offenders, and piloting innovative re-entry programs consistent with DJJ's focus on a rehabilitative treatment model. The program will award grants on a competitive basis to local government and non-profit applicants that demonstrate a collaborative and comprehensive approach to the successful reintegration of juvenile parolees through the provision of wrap-around services to juvenile parolees.
- Approved \$45 million for the Mentally Ill Offender Crime Reduction (MIOCR) program.

8120 COMMISSION ON PEACE OFFICERS STANDARDS AND TRAINING

- Approved as budgeted -- \$57.5 million from special funds.

8140 STATE PUBLIC DEFENDER

- Approved as budgeted -- \$11.3 million GF.

8180 PAYMENTS TO COUNTIES FOR THE COSTS OF HOMICIDE TRIALS

- Approved as budgeted -- \$3.5 million GF.

8550 CALIFORNIA HORSE RACING BOARD

- Approved proposal to increase expenditures by \$851,000 from the Racetrack Security Fund for increased costs for equine drug testing with budget bill language which requires the Board to provide a comprehensive plan that details its equine testing program.

8690 SIESMIC SAFETY COMMISSION

- Approved as budgeted -- \$1.1 million from special funds and adopted trailer bill language that extends the sunset for the fee revenues for two years.

8830 CALIFORNIA LAW REVISION COMMISSION

- Approved as budgeted -- \$706,000 – GF and reimbursements.

8840 COMMISSION ON UNIFORM STATE LAWS

- Approved as budgeted -- \$149,000 GF.

CONTROL SECTION 24.10 – TRANSFER SURPLUS OF DRIVER TRAINING PENALTY ASSESSMENT FUND TO THE GENERAL FUND

- Approved Budget Bill language that would transfer up to \$14 million from the Driver Training Penalty Assessment Fund to the Peace Officer Training Fund, \$9.8 million to the Corrections Training Fund, and would transfer up to \$4.1 million from the Driver Training Penalty Assessment Fund to the Victim Witness Assistance Fund. Any remaining unallocated funds would be transferred to the General Fund.